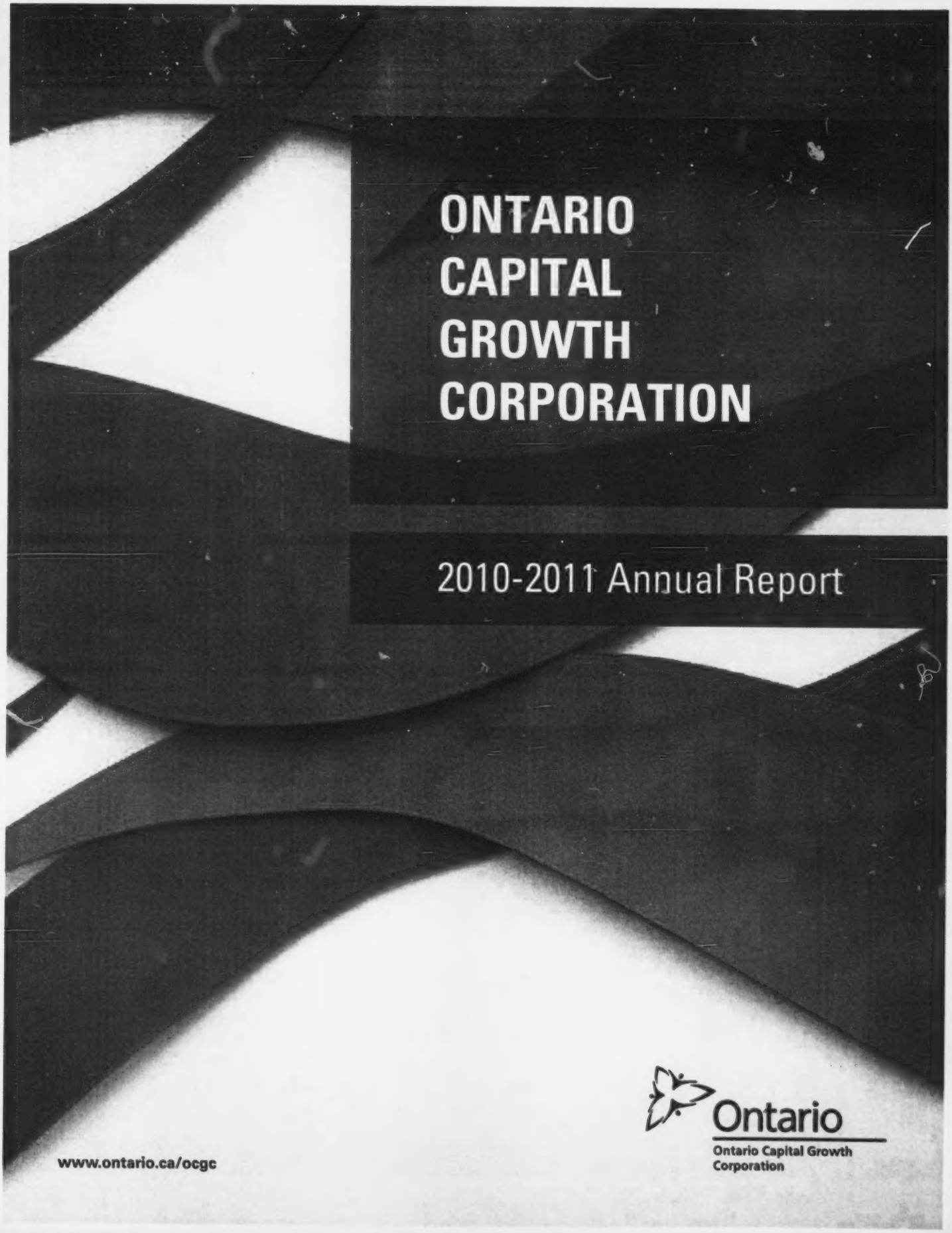

ONTARIO CAPITAL GROWTH CORPORATION

2010-2011 Annual Report

Ontario

Ontario Capital Growth Corporation

www.ontario.ca/ocgc

Ontario Capital Growth Corporation (OCGC)

The Ontario Capital Growth Corporation (OCGC) was established by the *Ontario Capital Growth Corporation Act, 2008* and launched on February 27, 2009. The principal business of the OCGC is to manage the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF) and to manage and operate the Ontario Emerging Technologies Fund (OETF). OCGC is an agency of the Ministry of Research and Innovation (MRI).

ABOUT ONTARIO CAPITAL GROWTH CORPORATION

The Ontario Capital Growth Corporation (OCGC) was established by the *Ontario Capital Growth Corporation Act, 2008* and launched on February 27, 2009. The principal business of the OCGC is to manage the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF) and to manage and operate the Ontario Emerging Technologies Fund (OETF). OCGC is an agency of the Ministry of Research and Innovation (MRI).

The $205 million OVCF is a limited partnership between the Government of Ontario and leading institutional investors: Ontario Municipal Employees Retirement System (OMERS), Royal Bank of Canada, TD Bank Group, the Business Development Bank of Canada, and Manulife Financial. OVCF was established to invest primarily in Ontario-based and Ontario-focused venture capital and growth equity funds that support innovative, high potential companies. Ontario has committed $90 million to the Fund, with the balance coming from its partner institutions.

OVCF is structured as a fund-of-funds, whereby investors pool their capital to invest in both a range of funds (predominantly venture capital funds) as well as co-investing directly into companies. OVCF is managed by Northleaf Capital Partners Ltd. As a limited partner in OVCF, OCGC does not have an active role in the fund's management.

OVCF was designed to foster innovation and investment in Ontario by enhancing long-term investment returns and contributing to the creation of a globally competitive and self-sustaining venture capital industry.

Launched in 2009, the $250 million OETF is a direct co-investment fund established by the Government of Ontario to invest, alongside qualified investors, directly into innovative, high-potential Ontario companies in the following sectors: clean technologies; life sciences and advanced health technologies; and digital media and information and communications technologies. It is a discretionary, non-entitlement investment program making equity and quasi-equity investments.

OETF is a market-based fund that invests in companies seeking to secure investment rounds between $1 million and $15 million. The total amount that OCGC can invest in a single company over the life of the fund is $25 million.

OETF is expected to be a self-sustaining investment fund by reinvesting any net capital or profits returned to it from its investments.

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MESSAGE FROM THE CHAIR AND PRESIDENT/CHIEF EXECUTIVE OFFICER

2011 has been an active year for the Agency – a year when OCGC made significant progress in meeting its mandate. This was a transition year for OCGC as the government appointed Selma Lussenburg as the new Chair and affirmed George Ross as the Vice-Chair. We are pleased to welcome Ms. Lussenburg to the Board and the experience she brings to the organization as it delivers its mandate. The expansion of the Board was, and continues to be, an important part of the government's plan to have increased private sector Board representation, while ensuring a public sector perspective on governance and accountability.

OCGC has been evolving since the launch of OETF in July 2009. In 2009-2010, OCGC was like any other start-up company or organization – developing systems and processes to manage its workload while working diligently to have an impact on the market. That work continued in 2010-2011 and will continue over the next few years as OCGC evolves into a long-term player in the early stage investment capital ecosystem.

When the Ministry of Research and Innovation developed its strategy on risk capital investment, one of the fundamental principles in the design of OVCF and OETF was a market-driven, returns-oriented approach to investing in innovative high-growth companies – an approach that generates the strongest results in terms of the success of new companies and the creation of highly skilled jobs.

This strategy is working. As of June 2011, and since its inception, OVCF has closed on three Ontario-based funds, four Ontario-based co-investments and has two additional Ontario-based fund investments pending which are expected to close in the coming months. In addition, OVCF has also successfully implemented a number of initiatives aimed at expanding the venture capital ecosystem in Ontario.

From inception to the close of fiscal 2010-2011, OETF has approved twenty qualified investors and two angel syndicates, and made sixteen investment commitments, leveraging over two dollars in additional private sector capital for every dollar invested. OETF is playing an important role in facilitating investments into Ontario's emerging innovative firms. Investments have been made in all three of the eligible sectors of:

- clean technologies;
- life sciences and advanced health technologies; and
- digital media and information and communications technologies.

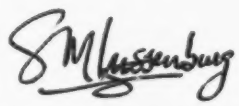
Although there was a modest recovery in the amount invested in the Ontario and Canadian markets during the past year, venture capital fundraising levels have hit record lows for the second consecutive year. Of potential significance to the market are early indications in Q4 2010-2011 of an improvement in the exit market – providing much needed investor liquidity and returns, as well as capital to companies. The lack of capital raised and low levels of venture capital investment in Ontario and Canada underlines a continuing role for OVCF and OETF as a critical source of capital to stimulate investment in key eligible sectors by creating funds and facilitating successful investment rounds.

In 2011-2012, OCGC will have a continuing role as one of the limited partners working with the OVCF fund manager to monitor the fund's progress and support the venture capital ecosystem in Ontario. OCGC will also look beyond its current base of OETF qualified investors to attract a broader spectrum of investors looking to be active in Ontario.

We would like to take this opportunity to thank OCGC staff for their continued dedication, hard work and support during the past year.

Innovative companies play a critical role in Ontario's economy. OVCF and OETF are playing an important role in supporting these companies, the continued growth and expansion of Ontario's venture capital ecosystem and the development of innovative and high growth sectors in the province

George Ross, Vice Chair



Selma Lussenburg, Chair

John Marshall, President and Chief Executive Officer

June 28, 2011

MEMBERS OF THE BOARD OF DIRECTORS

Selma Lussenburg – Chair

Board Tenure: February 2011 to February 2014

Selma Lussenburg was appointed as the Chair of the OCGC Board on February 9, 2011. Ms. Lussenburg has extensive private sector experience with AT&T and OMERS, and a background in corporate governance, including serving as the Corporate Secretary to the OMERS Board of Directors.

Ms. Lussenburg is a director of the Association of Corporate Counsel (Ontario Chapter), Canadian Co-Chair of the Business Outreach Committee of the Trade Ministers NAFTA 2022 Advisory Committee on the Resolution of Private Commercial Disputes and an Executive Committee Member of the Canada-U.S. Law Institute Advisory Board.

Ms. Lussenburg holds degrees from the University of Ottawa (BA & LLB, Cum Laude) and the Australian National University (LLM), and she is a Chartered Director from the Directors College, DeGroote School of Business, McMaster University. Ms. Lussenburg is a member of the Institute of Corporate Directors and the Centre for Ethics and Corporate Policy.

George Ross – Vice Chair

Board Tenure: February 2009 to January 2014

George Ross is Deputy Minister of the Ministries of Research and Innovation and Consumer Services. Mr. Ross previously held the positions of Assistant Deputy Minister and Chief Operating Officer of MRI. Mr. Ross was Chair of the Board of OCGC from February 2009 to February 2011.

Before joining MRI, Mr. Ross was the Assistant Deputy Minister of Field Services at the Ministry of Natural Resources.

Mr. Ross holds a Bachelor of Environmental Studies degree from the University of Waterloo and an ICD.D from the Rotman School of Management. He also has certificates in Business Administration and Human Resources Management from Ryerson and Queen's Universities. Mr. Ross is also a graduate of the advanced program in Human Resources Management at the Rotman School of Business at the University of Toronto.

Tony Rockingham

Board Tenure: February 2009 to February 2012

Tony Rockingham is the Assistant Deputy Minister, Innovation and Commercialization Division, MRI.

Prior to his current position he was the Assistant Deputy Minister in charge of conservation and strategic policy at the Ministry of Energy.

He studied Industrial Engineering at the University of Toronto and earned a Ph.D. in Mechanical Engineering from the Imperial College of Science and Technology in London, England.

Gadi Mayman

Board Tenure: February 2009 to February 2012

Gadi Mayman is the Chief Executive Officer of the Ontario Financing Authority (OFA).

Mr. Mayman is responsible for the Province of Ontario's medium- and long-term borrowing strategy, banking relationships and policies related to debt management. He advises the Province on the use of the Provincial credit and relations with capital markets and investors. He is also Chief Executive Officer of the Ontario Electricity Financing Corporation (OEFC), responsible for its day-to-day operations.

Mr. Mayman is a director on the board of Infrastructure Ontario. He is also Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Inc. (OPG) Committee.

Prior to joining the Ontario Ministry of Finance in 1991, he worked as a treasury officer at the Export Development Corporation (EDC) in Ottawa for three years and in the International Division of the Toronto Dominion Bank for five years.

Mr. Mayman received a B.A.Sc. in Industrial Engineering from the University of Toronto and an M.B.A. from the University of Western Ontario.

Tony Vander Voet

Board Tenure: February 2009 to February 2012

Dr. Vander Voet recently retired as the Acting Assistant Deputy Minister, Science and Research Division, MRI.

Since 1980, Dr. Vander Voet held a number of roles of increasing responsibility in several Ontario government ministries and agencies, including the Ministry of Northern Development and Mines, the Ontario Science Centre, the Ministry of Culture, Tourism and Recreation, the Ministry of Solicitor General and Correctional Services and the Ministry of Economic Development and Trade.

Dr. Vander Voet received his B.Sc. and M.Sc. in Chemistry from the University of Alberta and holds a Ph.D. in Chemistry from the University of Toronto.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Venture Capital Markets in 2010

The Canadian venture capital market showed a moderate recovery in 2010, with a total of $1.1 billion invested, a 10 percent increase over 2009, but nevertheless representing only one-third of the levels seen in 2000. Similarly, the number of Canadian companies receiving venture capital financing increased by 5 percent, with a total of 354 companies as compared to 337 the year before[1]. Deal size was an average of $3.2 million in 2010 compared to $3.1 million in 2009.

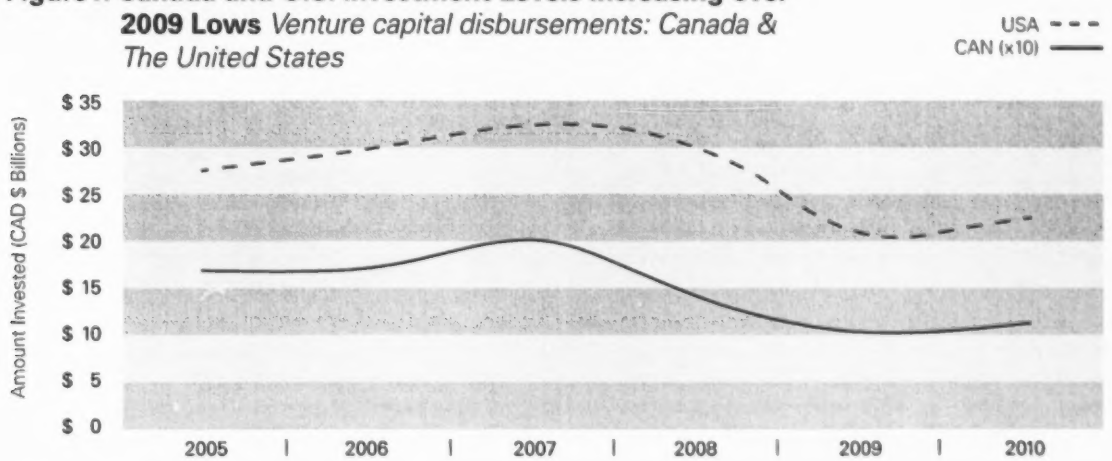
Higher levels of investment activity were also seen in the United States in 2010, although at a higher rate of increase at 19 percent over 2009, or US$21.8 billion. 2010 investment levels in Canada and the United States are still significantly lower than those seen from 2005 to 2008 as illustrated in Figure 1.

In 2010, Canadian funds invested more domestically and internationally, participating in 43 percent more foreign deals in 2010 over the previous year. Ontario saw foreign investment decrease to $82 million in 2010 from $91 million in 2009. Foreign investment into Ontario, which traditionally represents 30-50 percent of all capital investment, only represented 20 percent of all investment. This decrease in foreign investment reflects a broader set of trends among US and foreign investors looking to manage their existing portfolio of investments locally. This development puts additional pressure on OCGC to market investment opportunities in Ontario-based innovative companies to international audiences.

In Ontario, venture capital deal activity also rose in 2010. The total amount invested during OCGC's fiscal year (April 1, 2010 to March 31, 2011) was $438 million, compared to $358 million during the same 12-month period in 2009. The number of Ontario companies receiving venture capital financing remained steady at a total of 139 in 2010 as compared to 137 in 2009. Early-stage venture capital investment levels rose to $164 million in 2010 from $113 million in 2009.

Venture capital fundraising in Canada reached new

Figure1: Canada and U.S. Investment Levels Increasing over 2009 Lows *Venture capital disbursements: Canada & The United States*



Sources: Thomson Reuters, Preqin Ltd., MarketWatch

1) Q4 2010 Venture Capital Monitor, Industry Canada; Canada's Venture Capital Market

lows for the second year in a row with only $819 million raised in 2010, the lowest amount raised in the Canadian market over the past 16 years[2]. There was a decline in the number of fund closings. Private funds raised only $350 million of new capital last year, which was 41 percent below 2009 investment levels[3]. 2010 fundraising was led by individuals, governments and foreign groups[4]. The lack of institutional and corporate investment into funds highlights the importance of OVCF and its role in catalyzing new funds in the market.

It is evident that limited partners have been turning to other asset classes[5]. This is a contributing factor, in Canada and around the world, to the venture capital industry undergoing a period of fund consolidation. This decline in the number of active investors is resulting in predictions of fewer and smaller funds in the future[6]. In light of the challenging fundraising environment in 2010-2011, OVCF closing two funds as of March 31, 2011 and providing commitments and lead orders to a number of fund managers is a significant achievement in this market where fundraising is very challenging.

The lack of venture capital in Ontario has important implications for OCGC, indirectly as a limited partner in OVCF, as the general partner builds out its fund-of-funds portfolio, and more directly with respect to maintaining and expanding its roster of qualified investors under OETF. OCGC will take a more proactive approach to develop representation from a wider investor base, for example, angel investors and corporate investors. Of particular interest is the growth of a class of "super angels" – individuals, usually serial entrepreneurs, with substantial wealth but also with deep industry expertise[7]. Recent research from Harvard and MIT indicates that companies with angel backing grow faster than those without it and are more likely to survive[8].

Looking at investments by industry in OCGC's fiscal year 2010-2011, communications and other IT sectors received the largest percentage of venture capital investment overall, capturing $267 million or 61 percent of total Ontario venture capital investment. Life sciences companies received a total of $73 million in venture capital investment in 2010, with cleantech investment activity following at $90 million invested. Of note is the shift in growth in cleantech: 2010 data for Ontario indicates that there was a 69 percent increase in cleantech investments over 2009[9].

As in the increase in the number of venture capital transactions, there were also signs of a recovery in the number of venture-backed exits in 2010 as the economy stabilized. In Canada, there were 31 exits from venture capital backed companies in 2010, up from 25 exits in 2009, representing a 24 percent increase. These were almost all acquisitions, with one exit through an initial public offering.

In the first quarter of 2011, Canada saw an increase in the presence of corporate investment arms of large multi-national corporations and a corresponding increase in the number of investments alongside leading corporate investors – deals like Google's acquisition of Pushlife; AMEX, Verizon and Rogers' investment in Payfone; Microsoft's blockbuster acquisition of Skype; and Salesforce's acquisition of Radian6. These corporate acquisitions highlight a trend in large corporations looking to access disruptive technologies much earlier in order to retain their competitive advantage in the market. The short and rapid cycle of innovation is driving corporations to buy early stage companies and hold large reserves of capital to make significant corporate acquisitions. Faced with ongoing fundraising challenges in the venture capital market, OCGC will continue its dialogue with corporate investors mandated to invest in technology firms to support the flow of early-stage capital to Ontario's innovative companies.

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2) Canada's Venture Capital Market in 2010, Thomson Reuters for the Canadian Venture Capital & Private Equity

3) Q4 2010 Venture Capital Monitor, Industry Canada; Canada's Venture Capital Market

4) Canada's Venture Capital Market in 2010, Thomson Reuters for the Canadian Venture Capital & Private Equity Association

5) CVCA/Thomson Reuters, January 2011; NVCA, November 2010

6) Ernst & Young, Back to Basics: Venture capital insights and trends report 2010

7) The Wall Street Journal, April 28, 2010

8) The Consequences Entrepreneurial Finance: A Regression Discontinuity Analysis, April 2010, Harvard Business School Working Papers, Kerr, Learner and Schoar

9) Canada's Venture Capital Market in 2010, Thomson Reuters for the Canadian Venture Capital & Private Equity Association

2010-2011 Operations and Results Achieved

Ontario Venture Capital Fund (OVCF)

To March 31, 2011, in accordance with the OVCF portfolio guidelines, OVCF has made a total of six fund commitments to qualified venture capital funds, including four commitments totaling $83.9 million to Ontario-based funds and $3.4 million to two other funds, two direct investments and one follow-on direct investment. It is estimated that by June 30, 2011, these commitments will have been successfully leveraged to attract an additional $560 million in capital from other investors that can be accessed by Ontario-based companies.

During OCGC's fiscal year, OVCF approved a conditional commitment of $20 million in December 2010 to Bridgescale Partners II, an Ontario and US-based growth and late-stage equity fund that focuses on companies in the information technology sector. In January 2011, OVCF approved a conditional commitment of $20 million to BlackBerry Partners Fund II, an Ontario-based venture capital fund that focuses on companies in the mobile internet technology sector. In March 2011, OVCF made a follow-on direct investment in I Love Rewards Inc., an Ontario-based provider of internet-enabled rewards and recognition, sales incentive and service award programs. Consistent with the terms of the OVCF Limited Partnership Agreement, 67 funds were reviewed by OVCF during the past year[10]. Certain of these funds may still be under review and considered for inclusion in the OVCF portfolio.

Subsequent to March 31, 2011, OVCF has closed on two additional Ontario-based direct investments, made one additional Ontario-based fund commitment and BlackBerry Partners Fund II has had an initial close in excess of $100 million. Northleaf Capital Partners, the OVCF fund manager, has continued to implement a series of venture capital initiatives to promote OVCF across the Ontario, Canadian and international venture capital communities:

OVCF "Breakfast/Lunch and Learn" Sessions

The "Breakfast/Lunch and Learn" sessions are designed to address issues that are relevant to venture capital fund managers and provide an opportunity for informal networking and community building. The following session was held in 2010:

The Entrepreneur Panel: A Candid Roundtable Discussion:

OVCF partnered with Canada's Private Equity and Venture Capital Association (CVCA) to host a breakfast seminar held at the Toronto Board of Trade. Over 80 professionals from across the venture capital ecosystem were in attendance. The discussion centered on what characteristics make for a successful entrepreneur, the factors that drive founders to become serial entrepreneurs as well as the benefits and the challenges of being an entrepreneur and raising capital in today's environment.

E-Venture Newsletter

The E-Venture newsletter was launched in July 2009. This semi-annual publication is designed to include a review of recent developments regarding OVCF's portfolio investments and portfolio companies, fund manager profiles, success stories, industry news, best practices and relevant data. Volumes 2 and 3 of the E-Venture newsletter were published in February and August 2010, respectively.

Conferences and Industry Events

Northleaf Capital Partners represented OVCF at a number of industry events and initiatives over the year. Their participation in these conferences serves to further strengthen the Ontario venture capital ecosystem.

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10) As part of OVCF's diligence process, select funds may be reviewed multiple times during a given 12-month period

Ontario Emerging Technologies Fund (OETF)

Qualified Investors

In the fiscal year 2010-2011, OCGC approved 12 new qualified investors bringing the total number of OETF investors since the launch of the fund to 22. These investors were primarily venture capital firms but also included 2 angel syndicates. The new investors qualified in 2010-2011 include:

CTI
FONDS CTI SCIENCES DE LA VIE
CTI LIFE SCIENCES FUND

emerald
Technology Ventures

Genesys Capital

GrandBanks
Capital

GROWTHWORKS

lumiracapital

PROPULSION
VENTURES

SUMMERHILL
VENTURE PARTNERS

VERTEX
VENTURE CAPITAL

THE WALSINGHAM FUND

Portfolio Companies

In fiscal year 2010-2011, OCGC, through OETF, approved 16 co-investments, representing a total investment commitment from OCGC of $24.94 million and leveraging over 2 dollars in additional private sector capital for every dollar invested. The 16 co-investments were comprised of 12 "initial investments" (i.e. first-time investments) and 4 follow-on investments in OCGC's portfolio companies. The new co-investments in 2010-2011 include:

COVARITY
Precision Loan Intelligence

Energate

HY•POWER NANO

iStopOver

MOREGA™

NATRIX

NeurAXon
Next Generation Pain Therapeutics

PERASO
At the speed of life.

shoplogix™
OUTPERFORM

TELOIP

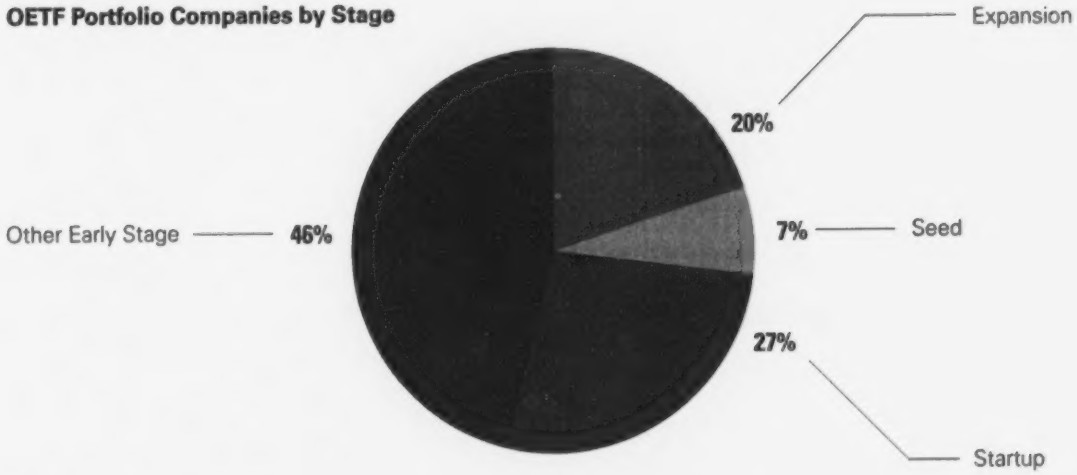
Verold

WOODLAND BIOFUELS INC.

The majority of investments were in the digital media and information and communications technologies sector, 3 investments made in clean technologies companies and 2 in the life sciences and advanced health technologies field.

A considerable number of OETF investments were early-stage, with the majority made at a point beyond seed and startup investments.

OETF Portfolio Companies by Stage



OCGC extends its congratulations to several Ontario Emerging Technologies Fund portfolio companies that were among the recipients of Deloitte's 2010 "Fast 50" awards. Avvasi Incorporated and Morega Systems Inc. were recognized under the "Companies to Watch" category, and Energate and ecobee were both honoured in the Deloitte "Technology Green 15" awards category.

Outreach

One of the objectives of OETF was to increase the amount of capital available to emerging Ontario-based companies. In support thereof, OCGC participated in several events this year to increase its profile in the investment community in support of its mandate. Through its outreach activities, OCGC identified and attracted a number of investors who wish to become qualified investors under OETF. These include a broad range of investors such as multinational companies with venture capital arms, larger, foreign-based venture capital and/or private equity investors or pension funds with an interest in Ontario technology companies.

OCGC recognizes that continuous engagement of the stakeholder community is essential to the on-going growth and success of the fund as part of our need to attract a wide range of investors to invest in Ontario companies. This work is facilitated by OCGC proactively engaging with investors at targeted investor events such as the CVCA Annual Conference, C100 Events, the North American Venture Capital Summit, the Digital Puck Lounge, the JP Morgan Conference, BIO 2010, the National Angel Summit, the Ottawa Venture Forum, BioFinance, BIOContact, Ontario Centres of Excellence Discovery Days and ONE events.

FINANCIAL STATEMENTS

Responsibility for Financial Reporting

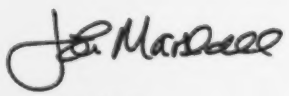
The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 28, 2011.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by a third-party auditor, PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian GAAP. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and their opinion.

On behalf of Management:



John Marshall

President and Chief Executive Officer

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimilie +1 416 365 8215

June 28, 2011

Independent Auditor's Report

To the Directors of
Ontario Capital Growth Corporation

We have audited the accompanying financial statements of Ontario Capital Growth Corporation, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and comprehensive income, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

PRICEWATERHOUSECOOPERS

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Capital Growth Corporation as at March 31, 2011 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter
The financial statements of Ontario Capital Growth Corporation as at and for the year ended March 31, 2010 were audited by another auditor who expressed an unqualified opinion dated May 18, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Ontario Capital Growth Corporation

Statement of Financial Position

As at March 31, 2011

	2011	2010
ASSETS		
Cash and cash equivalents	$ 1,918,605	$ 806,735
Marketable securities (note 4)	77,236,734	84,989,303
Accounts receivable (note 10)	739,468	2,580,000
Ontario Venture Capital Fund LP (note 5)	16,442,037	7,936,728
Ontario Emerging Technologies Fund (notes 6 and 8)	27,448,706	5,980,000
	$123,785,550	$ 102,292,766
LIABILITIES		
Accounts payable (note 9)	$ 585,716	$ 1,158,096
NET ASSETS		
General fund	123,199,834	101,134,670
	$123,785,550	$ 102,292,766

Approved by the Board of Directors

Director

Director

Ontario Capital Growth Corporation

Statement of Operations and Comprehensive Income

For the year ended March 31, 2011

	2011	2010
REVENUES		
Funding and transfer payments from the Province of Ontario - Ontario Emerging Technologies Fund (note 6)	$ 23,067,176	$ 9,560,000
Interest income	889,868	479,379
	$ 23,957,044	$ 10,039,379
EXPENDITURES		
Reimbursements to Ministry of Research and Innovation (note 9)	$ 926,716	$ 1,135,500
Cash management fees	42,423	46,551
Professional services fees	335,036	216,367
	$ 1,304,175	$ 1,398,418
EARNINGS FROM OPERATIONS FOR THE YEAR	22,652,869	8,640,961
FOREIGN CURRENCY TRANSLATION ADJUSTMENT *(note 2)*	(572,826)	—
NET INCOME FOR THE YEAR	$ 22,080,043	$ 8,640,961
OTHER COMPREHENSIVE LOSS		
Unrealized loss on available-for-sale financial assets - marketable securities	(14,879)	—
COMPREHENSIVE INCOME	$ 22,065,164	$ 8,640,961

Ontario Capital Growth Corporation

Statement of Changes in Net Assets

For the year ended March 31, 2011

	2011	2010
NET ASSETS - BEGINNING OF YEAR	*$101,134,670*	*$ 92,493,709*
Net income for the year	*22,080,043*	*8,640,961*
Accumulated other comprehensive loss		
Balance - Beginning of year	—	—
Other comprehensive loss	*(14,879)*	—
Balance - End of year	*(14,879)*	—
NET ASSETS - END OF YEAR	*$123,199,834*	*$ 101,134,670*

Ontario Capital Growth Corporation

Statement of Cash Flows

For the year ended March 31, 2011

	2011	2010
CASH PROVIDED BY (USED IN)		
Operating activities		
Earnings from operations for the year	$ 22,652,869	$ 8,640,961
Changes in non-cash operating balances - Decrease (increase) in accounts receivable	1,840,532	(2,397,262)
Changes in non-cash operating balances - (Decrease) increase in accounts payable	(572,380)	1,149,168
	23,921,021	7,392,867
Investing activities		
Purchase of marketable securities	(233,203,970)	—
Sale of marketable securities	240,941,660	5,560,940
Purchase of Ontario Venture Capital Fund LP	(8,505,309)	(6,179,177)
Purchase of Ontario Emerging Technologies Fund	(21,468,706)	(5,980,000)
	(22,236,325)	(6,598,237)
Increase in cash and cash equivalents during the year	1,684,696	794,630
Effect of foreign currency exchange rate changes (note 2)	(572,826)	—
Cash and cash equivalents - Beginning of year	806,735	12,105
Cash and cash equivalents - End of year	$ 1,918,605	$ 806,735

Notes to Financial Statements

1. Description of Business

Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as of February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

(a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF);

(b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

(c) to carry out the other objects that are prescribed by the Regulations.

Under Section 1 of Ontario Regulation 278/09 (the Regulations), made under the Act, the following are prescribed as additional objects of the Corporation:

(a) to acquire, manage and otherwise deal with a portfolio of investments in businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in English as the Ontario Emerging Technologies Fund (OETF) and in French as Fonds ontarien de développement des technologies émergentes; and

(b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objects described in clause 1(a).

As required by the Agency Establishment and Accountability Directive, the Corporation and MRI have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between OCGC and MRI.

OCGC is classified as an Operational Enterprise Agency. OCGC is responsible for fulfilling the Province of Ontario's contractual obligations as a limited partner in the OVCF. OCGC is also responsible to establish, hold, manage and administer the OETF.

OVCF is a joint initiative between the Province of Ontario and leading institutional investors. It is structured as a fund of funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which, in turn, make investments in innovative, high-growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers in the Province of Ontario capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

OETF is structured as a direct co-investment fund that will only make investments in innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in innovative high-potential companies with an Ontario footprint in three strategic sectors: (a) clean technology; (b) digital media and information and communications technologies; and (c) life sciences.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). OCGC also claims exemption from the federal goods and services tax imposed by the Excise Tax Act (Canada). In November 2009, the Canada Revenue Agency confirmed exemption from the goods and services tax effective February 1, 2009.

As part of the change to the harmonized sales tax (HST) and in accordance with the HST agreement between the Governments of Ontario and Canada, provincial government entities (ministries and agencies) no longer have an exemption from paying the GST/HST. As of July 1, 2010, a pay and rebate model applies. This means that OCGC now pays the 13% HST on taxable supplies, then applies for a rebate of the full 13% amount.

OCGC operates in the same fiscal year ending March 31 as the Government of Ontario.

2. Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles based on The Canadian Institute of Chartered Accountants Handbook, Accounting. The more significant accounting policies of the Corporation are summarized below.

Revenue recognition

Interest revenue is recognized as it is earned. For marketable securities, interest revenue is accrued using the effective interest rate method.

OETF project funding received represents monies transferred from the MRI to the Corporation, as described in note 6.

Expense categories

- Cash management fees represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.
- Professional fees relate to fees paid to third party service providers.
- Reimbursements to MRI represent direct OCGC expenses paid by MRI on its behalf.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are periodically reviewed and any adjustments necessary are reported in income in the year in which they become known. Actual results could differ from these estimates.

Financial instruments

All financial instruments are classified in one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition. The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments:

Financial instrument	Classification
Cash and cash equivalents	held-for-trading
Marketable securities	available-for-sale
Accounts receivable	loans and receivables
OVCF	available-for-sale
OETF	available-for-sale or held-for-trading
Accounts payable	other financial liabilities

Subsequent measurement and treatment of any gain or loss on the financial instruments is recorded as follows:

(a) Held-for-trading financial assets are measured at fair value as at the statement of financial position date with any gain or loss recognized immediately in net income. Fair value includes the value of accrued interest, as applicable. Dividends earned from held-for-trading financial assets are also included in net income for the year.

(b) Available-for-sale financial assets that have quoted market prices in an active market are carried at fair value. When an equity investment classified as an available-for-sale financial asset is not traded in an active market, it is measured at cost. Changes in the fair value of all other available-for-sale assets are recorded in other comprehensive income

and accumulated in a separate account in the statement of changes in net assets (accumulated other comprehensive income) until the asset becomes impaired or is derecognized. Interest income is recognized in net income using the effective interest rate method and dividend income is recognized in net income when the Corporation is entitled to receive it. Impairment losses are recognized in net income.

(c) Loans and receivables are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.

(d) Other financial liabilities are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income. Interest income or expense is recognized in net income using the effective interest rate method.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in net income. Foreign currency gains and losses on held-for-trading financial assets are recognized in net income, while foreign currency gains and losses on available-for-sale financial assets are recognized in other comprehensive income.

3. Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation considers obligations of the Governments of Ontario and Canada to be risk-free. The Corporation is currently not exposed to any credit risk.

Fair value

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair value of the investment in the OVCF is not readily determinable and has been recorded at cost. The OVCF does not have a quoted market price in an active market.

The fair value of the co-investments in the OETF will initially be recorded at cost, which represents fair value at time of acquisition. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF portfolio investments. The investments in OETF that are held-for-trading and available-for-sale are remeasured at fair value on a semi-annual basis. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition is estimated and included in held-for-trading financial assets, with subsequent changes in fair value included in net income. The residual host contract is carried at fair value with subsequent changes in value included in other comprehensive income pursuant to the OCGC policy for available-for-sale financial assets.

Currency risk

Currency risk is the risk to the Corporation's income that arise from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $8,660,018 to the US dollar as at March 31, 2011 (2010 - $nil). A 5% strengthening (5% weakening) of the Canadian dollar against the US dollar at March 31, 2011 would result in a $433,000 decrease ($433,000 increase) in net income (2010 - $nil) with no impact on other comprehensive income. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term investments in marketable securities. Risks from interest rate fluctuations are minimal due to the investments being held for a term of three years or less to better match the OVCF drawdowns projected by the OVCF fund manager. Interest rate fluctuations for OETF investments are minimal as these investments have fixed interest rates.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2011, if the value of the investments in OVCF and OETF had increased or decreased by 5%, all other variables held constant, the value of the investments would have increased or decreased by $2,194,537 (2010 - $695,836). Investments made through OVCF or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by the OCGC on eventual disposition is inherently unpredictable. Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The fair value of the OETF portfolio represents the OCGC's best estimate of fair value at the statement of financial position date; however, the amounts that may ultimately be realized could be materially different.

4. Marketable securities

The OCGC may temporarily invest any monies not immediately required to carry out its objects in:

(a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

(b) interest bearing accounts and short-term certificates of deposits issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

Fair value of marketable securities as at March 31 (available-for-sale) is as follows:

	2011	2010
Aggregate par value $77,474,000 of Province of Ontario treasury bill, due dates ranging from April 20, 2011 to October 19, 2011, average coupon rate of 0.000%	*$ 77,236,734*	*$ 84,989,303*

5. OVCF

The investment in the OVCF is carried at cost, based on the capital calls made by the general partner of OVCF. As the OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

6. Province of Ontario - OETF

On March 18, 2009, the Government of Ontario, as an initiative of MRI, announced its intention to create a new venture capital fund to increase investment in green technology and other high-tech companies with a significant corporate footprint in Ontario. The creation of the OETF is in response to the challenges being experienced by companies in technology industries to raise the necessary capital to grow and compete internationally.

The OETF was launched in July of 2009 with a commitment from the Province of Ontario to provide funding of $250 million. The OETF, as a direct co-investment fund, will only make investments into innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. Investments will be in: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences.

Operating expenses for the year funded by OETF transfer payments are within the allocated amount. During the year, the OCGC request for OETF transfer payments was $23,067,176 (2010 - $9,560,000).

7. Contractual commitments

The OCGC has the following contractual commitments:

(a) In accordance with a financial service agreement between the OFA and the OCGC, the OFA conducts investment and cash management services and activities for the OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. The OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

(b) Pursuant to the OVCF limited partnership agreement, the OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2011, the total uncalled commitment is $73,557,963 with a commitment period-end date of June 6, 2013.

(c) In accordance with the contract between Northwater Capital Management Inc. (Northwater) and OCGC, Northwater conducts due diligence services and activities to qualify OETF co-investors. OCGC pays a fixed rate for these services. The contract was amended, effective January 18, 2010, to permit hourly rate for on-site visits by Northwater to the applicants' premises to confirm matters that were evidenced in the application.

(d) In accordance with the contract between Covington Capital Inc. (Covington) and OCGC, Covington conducts due diligence services and activities to qualify, monitor and exit OETF's investments. OCGC pays a fixed rates and hourly rates for these services and activities, respectively. During the quarter, the contract was amended, effective July 8, 2010, to permit hourly rate for confirmation of matters evidenced by the applicant.

8. Investments in OETF

OETF portfolio as at March 31, 2011:

	Cost	Fair Value	Contingent
Canadian dollar investments - available-for-sale	*$ 5,980,000*	*$ 5,980,000*	*$ 1,220,788*
Canadian dollar investments - held-for-trading	*13,254,505*	*13,254,505*	*4,967,013*
US dollar investments - held-for-trading	*8,214,201*	*8,214,201*	*969,600*
	$ 27,448,706	*$ 27,448,706*	*$ 7,157,401*

OETF portfolio as at March 31, 2010:

	Cost	Fair Value	Contingent
Canadian dollar investments - available-for-sale	*$ 5,980,000*	*$ 5,980,000*	*$ 10,790,000*
Canadian dollar investments - held-for-trading	—	—	—
US dollar investments - held-for-trading	—	—	—
	$ 5,980,000	*$ 5,980,000*	*$ 10,790,000*

Investments in OETF (cont.)

Investments in OETF can take the form of shares or convertible debt. All investments have been made in accordance with OETF guidelines. As at March 31, 2011, the OETF portfolio consisted of 16 investments in different companies, ranging from 0.4% to 3.2% of net assets. The Corporation has recorded a provision of $406,883 (2010 - $52,342) against the accrued interest on those convertible debentures classified as available-for-sale. Contingent amounts as at the statement of financial position date represent firm commitments by the OCGC to make future investments in OETF companies.

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9. Reimbursements of eligible expenses incurred

The Corporation and MRI carry out their respective operations on a shared-cost basis. The Corporation reimburses MRI for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology and rent allocations per staff member, external legal services, website development, French language translation and accounting services.

Recognition and measurement of any reimbursement is subject to annual negotiations between the Corporation and MRI, and approval of the extent and scope of MRI services to be provided. For each fiscal year ending March 31, the Corporation will seek certification from the MRI that any further potential financial liability with respect to eligible expenses incurred on behalf of the Corporation is fully satisfied without further recourse. Any financial liability to MRI with respect to reimbursements of eligible expenses incurred prior to March 31, 2011 has been extinguished.

Effective April 1, 2010, the Corporation accrues eligible expenses reimbursable to MRI under accounts payable based on estimates provided by the MRI that can be independently verified by the Corporation.

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10. Accounts receivable

For each fiscal year ending March 31, disbursements under the OETF transfer payment agreement to the Corporation may be overdue from the Province of Ontario due to year-end payment processing delays. For fiscal 2010 and 2011, overdue payments of $2,580,000 and $700,000 were received in full subsequent to the March 31 year-ends, respectively.

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases effective as of July 1, 2010 and, subsequently, files a rebate claim with the Canada Revenue Agency for the HST paid. For the year ended March 31, 2011, OCGC has incurred and/or paid an aggregate of $39,468 of HST.

CORPORATE GOVERNANCE

Overview

OCGC is an agent of the Crown and is classified as an operational enterprise agency.

OCGC's governance framework is based on Management Board of Cabinet's (MBC) Agency Establishment and Accountability Directive[11] and is set out in its corporate governance policy.

Corporate governance at OCGC is based on processes that permit the effective supervision and management of activities by senior management, the Audit Committee, the Human Resources Committee, the Board of Directors and the Minister of Research and Innovation.

Accountability

OCGC's accountability structure flows from its governing statute, the *Ontario Capital Growth Corporation Act, 2008* and from the Memorandum of Understanding between OCGC and the Minister of Research and Innovation, as well as applicable directives issued by MBC relating to Crown agencies. Together, these provide that the Minister of Research and Innovation reports and responds to the Legislative Assembly and Cabinet regarding OCGC.

The Chair of the Board of Directors is accountable to the Minister for the Corporation's performance in fulfilling its mandate. The Board of Directors is appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Research and Innovation and is accountable to the Minister, through the Chair, for supervising the management of the Corporation's business.

The President and Chief Executive Officer is accountable to the Chair of the Board for the day-to-day management of OCGC's operations and the management and supervision of staff. Staff are appointed pursuant to the *Public Services Act* and are subject to MBC policies and directives applicable to public servants. Employees are accountable to the President and Chief Executive Officer.

Roles and Responsibilities

The Minister of Research and Innovation maintains communications with OCGC through the Chair regarding government policies, expectations and new directions relevant to OCGC. The Minister is responsible for reviewing and approving the annual business plan. The Minister is also responsible for receiving and making the OCGC annual report available to the public through tabling it in the Legislative Assembly.

The Chair provides leadership and direction to the President and Chief Executive Officer and the Board and ensures that OCGC complies with government policies and directives. The President and Chief Executive Officer is responsible for the ongoing activities of the Corporation and ensures that policies and procedures, including financial reporting, remain relevant and effective.

The Board of Directors is currently comprised of two private sector members and three public servants. The Board meets once a month and receives regular reports from the President and Chief Executive Officer concerning the Corporation's operations and its compliance with applicable laws and policies.

The Board's Audit Committee approves an annual audit plan in regard to OCGC's independent external audit and liaises as necessary with the Corporation's internal and external auditors and the Auditor General of Ontario regarding financial reporting and controls. It also reviews financial policies and financial statements and recommends them to the Board.

Financial Reporting

OCGC prepares both unaudited quarterly and audited annual financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These statements are reviewed and recommended by the Audit Committee and submitted to the Board of Directors for approval.
The 2010-2011 audited financial statements were prepared by PricewaterhouseCoopers LLP (PWC).

11) As may be amended from time to time

Consistent with the forgoing process, the Board approved the audited financial statements and received the Auditor's report thereon on the recommendation of the Audit Committee.
The 2010-2011 audited financial statements are to be tabled in the Ontario Legislature as part of OCGC's Annual Report and included as a schedule in the Public Accounts of Ontario.

Internal Controls

Management is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements to safeguard its assets and control its liabilities.

In keeping with good governance, OCGC will continue to evolve its internal controls to ensure they reflect leading industry practices. In meeting its responsibility for the reliability and timeliness of financial information, OCGC uses a comprehensive system of internal controls, including organizational and procedural controls.

Operations

In support of its mandate, OCGC has both a limited number of staff involved in operations, governance, financial controls and investments, and a limited number of external expert service providers/ agreements with external firms having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit, bookkeeping and procurement.

RISK MANAGEMENT POLICIES AND PROCEDURES

As part of its annual business plan, OCGC conducts an assessment of corporate-wide risks and develops appropriate mitigation strategies. OCGC's risk management plan is based on the requirements contained in the Agency Establishment and Accountability Directive[12]. It considers the management of both internal and external risk exposures. The framework for OCGC's risk management plan is based on: strategic, policy and performance risk; accountability and compliance risk; operational risk; workforce compensation risk; information technology & infrastructure risk; and, other risks.

The Board is also informed of real or potential exposure to risk through regular updates by the President and Chief Executive Officer.

12) As may be amended from time to time

OUTLOOK FOR 2011-2012

OCGC has identified a number of priorities for the upcoming year:

- Continuing management of OCGC's interest as a limited partner in OVCF;
- Implementing its mandate to manage and operate OETF to support early-stage innovative companies in Ontario;
- Developing a broader range of qualified investors under OETF to support an inflow of additional capital to Ontario;
- Continuous improvement of administrative and operating systems; and
- Maintaining an appropriate balance between OCGC's investment goals and the need to maintain strong governance and accountability of public funds.

OCGC will continue its transition from a startup operation to establish itself as a long-term participant in the Canadian venture capital market as OCGC moves into its second full year of operation.

It is important that OCGC continues to direct its efforts to build a broad range of investors that participate in the Ontario venture capital ecosystem. This is particularly important in light of the lack of institutional investors making investment commitments in this asset class and the resulting fundraising challenges confronting the venture capital industry. Through a targeted outreach plan, OCGC anticipates that it will attract a greater number of angel investors to increase the level of investment into Ontario-based companies.

OCGC will also work toward developing an increased dialogue with the corporate and international investment community active in venture capital investing. With twenty qualified investors, OCGC has an opportunity to connect corporate investors to potential deal flow through its broad array of investment partners.

OCGC will work towards continuous improvement of its administrative and operating systems to provide assurance that it is running an agency that is efficient and cost-effective, has the proper reporting systems and internal controls in place and is fully compliant with all applicable provincial directives and applicable laws. In light of the business community's transition to International Financial Reporting Standards (IFRS) and the government's adoption of Public Sector Accounting Standards as its accounting standard, in the coming year, OCGC will analyze what changes it needs to make to its accounting standards as it moves from Canadian commercial GAAP to the most appropriate accounting system. This change will have an effect on internal accounting controls which will be adjusted as required. OCGC will manage the transition in accounting standards, working with its auditors on the treatment of its investments, while giving due consideration to the market's transition to IFRS. OCGC will continue to adhere to strong corporate governance and financial accountability standards, while undergoing a transition to its new accounting standards as are many investors globally.

OCGC will strive to strike a balance in the allocation of resources among the need to deliver on its investment mandate, maintaining good governance practices and managing operations in an efficient and cost-effective manner.

ADDITIONAL SOURCES OF INFORMATION

Websites

Ontario Capital Growth Corporation
www.ontario.ca/ocgc

Ministry of Research and Innovation
www.ontario.ca/innovation

Ontario Venture Capital Fund
www.ovcf.com

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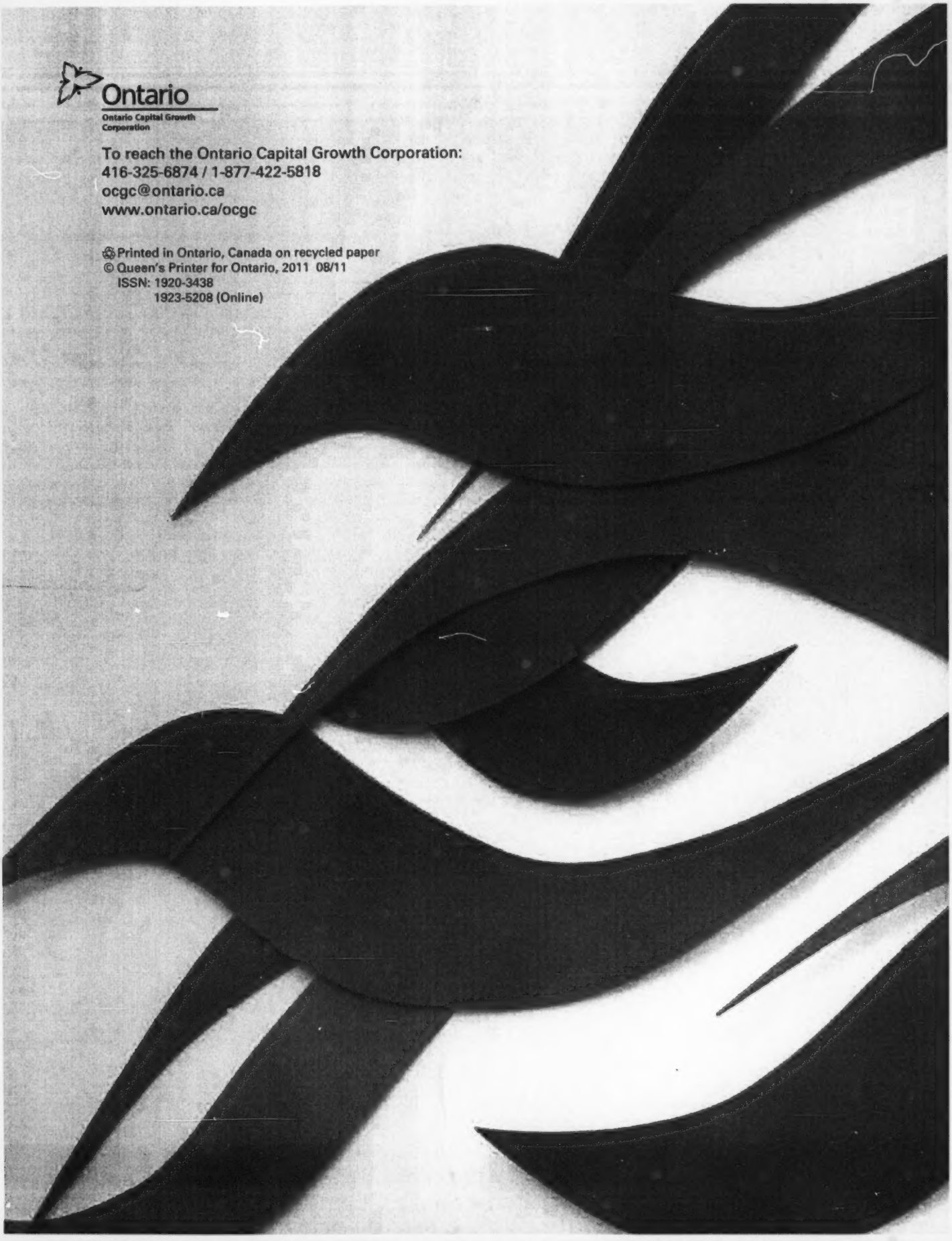

Ontario
Ontario Capital Growth Corporation

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